

THE CRAIG BIT COMPANY LIMITED

DIRECTORS

J. C. ALEXANDER	Galt, Ontario
G. P. WEST	Galt, Ontario
E. L. HEALY	Toronto, Ontario
J. KOSTUIK	Don Mills, Ontario
E. O'NEIL	Pittsburgh, Pa.
J. W. WILCOCK	Pittsburgh, Pa.

OFFICERS

J. C. ALEXANDER	PRESIDENT
J. A. READ	VICE-PRESIDENT AND GENERAL MANAGER
J. P. PACKER	SECRETARY

HEAD OFFICE

180 Ninth Street	North Bay, Ontario
------------------	--------------------

AUDITORS

PRICE WATERHOUSE & CO.	Hamilton, Ontario
------------------------	-------------------

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST CO.	Toronto, Ontario
--------------------	------------------

**ANNUAL REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS OF
THE CRAIG BIT COMPANY LIMITED**

Your Board of Directors is pleased to submit herewith its Annual Report, also the Auditors' Report, for the year ending September 25, 1970.

These reports will be presented for the approval of Shareholders at the Annual Meeting of the Company, to be held in the Nova Scotia Room at the Royal York Hotel, Toronto, Ontario, on Thursday, February 18th, 1971, at 11:00 o'clock A.M.

Total sales for fiscal year 1970 were up over 13% and earnings 34%, against the fiscal year 1969. The increase in sales is the result of our campaign to expand the sales areas we service. The improved earnings are the result of increased volume, along with improved efficiency and lower costs obtained in the new plant facilities.

Inventories have been kept in line and are current.

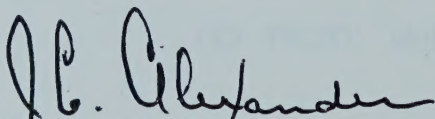
New equipment has been installed to maintain our quality and provide production for expanding sales.

A new two-year labor contract was signed by our company employees in 1970, which will expire in 1972.

The Craig Bit Company backlog of business is holding extremely well and the outlook for sales and profits for 1971, is favourable.

The Board wishes to express its appreciation to the officers and employees of the Company for their loyal support and co-operation during this past year.

On behalf of the Board,


J. C. ALEXANDER, PRESIDENT,

PRICE WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

P.O. Box 128

20 HUGHSON STREET SOUTH

HAMILTON 20, ONTARIO

December 31, 1970.

AUDITORS' REPORT

To the Shareholders of
The Craig Bit Company Limited:

We have examined the balance sheet of The Craig Bit Company Limited as at September 25, 1970, and the statements of operations and retained earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at September 25, 1970, and the results of its operations and the source and use of its funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants,

THE CRAIG BROS.

(Incorporated in California)

BALANCE SHEET

ASSETS

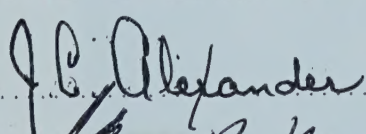
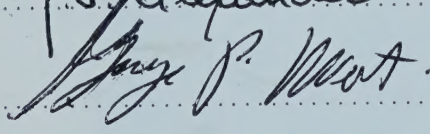
	Sept. 25 1970	Sept. 30 1969
CURRENT ASSETS:		
Cash	\$ 84,660	\$ 24,080
Marketable securities at cost, which approximates market	3,427	3,427
Accounts receivable	490,918	250,902
Inventories, valued at the lower of cost or net realizable value	1,069,873	1,063,780
Prepaid expenses	30,617	8,058
	<hr/> 1,679,495	<hr/> 1,350,247
FIXED ASSETS, at cost:		
Buildings	396,189	358,829
Machinery and equipment	1,163,658	1,032,638
	<hr/> 1,559,847	<hr/> 1,391,467
Less — Accumulated depreciation	1,061,799	985,182
	<hr/> 498,048	<hr/> 406,285
	<hr/> <hr/>	<hr/> <hr/>
	\$2,177,543	\$1,756,532

COMPANY LIMITED

(the Laws of Ontario)

CE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	Sept. 25 1970	Sept. 30 1969
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 270,906	\$ 274,446
Due to Joy Manufacturing Company (Canada) Limited	316,903	96,928
Income taxes payable	81,122	46,509
Dividend payable	4,640	4,640
	<hr/> 673,571	<hr/> 422,523
DEFERRED INCOME TAXES	64,800	58,800
SHAREHOLDERS' EQUITY:		
Capital stock —		
Authorized — 500,000 common shares of no par value		
Issued and fully paid — 232,000 common shares	180,214	180,214
Retained earnings, per statement attached	1,258,958	1,094,995
	<hr/> 1,439,172	<hr/> 1,275,209
APPROVED ON BEHALF OF THE BOARD:		
 DIRECTOR		
 DIRECTOR		
	<hr/> <hr/> \$2,177,543	<hr/> <hr/> \$1,756,532

THE CRAIG BIT COMPANY LIMITED

Notes to Financial Statements September 25, 1970

1. The Company changed its fiscal year end from September 30 to the last Friday of September, which for this year is September 25, 1970.
2. In 1969 the Company commenced a capital expansion programme at North Bay which has a total estimated cost of approximately \$450,000. To date the Company has incurred \$268,000 which is eligible for a federal grant under the Area Development Incentives Act of \$110,000. Of this amount \$66,000 is receivable in the 1971 fiscal year and \$22,000 in each of the succeeding two fiscal years. Any further amounts expended under this programme may be eligible for additional grants if the related facilities are in commercial production by March 31st, 1971. At September 25, 1970, no recognition of the grant has been made in the Company's financial statements.
3. The Company occupies leased land at North Bay which has an annual rental of \$6,700.



*Interior View of Part
of the
New Facilities*

THE CRAIG BIT COMPANY LIMITED

Statement of Operations and Retained Earnings

	For the Fiscal Year ended	
	Sept. 25	Sept. 30
	1970	1969
Net Sales	\$2,857,391	\$2,513,785
Costs and expenses exclusive of items noted below	2,392,251	2,156,647
Depreciation	76,617	62,974
Income Taxes	206,000	158,000
	<u>2,674,868</u>	<u>2,377,621</u>
Net Income for the year	182,523	136,164
Retained Earnings at beginning of year	1,094,995	982,031
	<u>1,277,518</u>	<u>1,118,195</u>
Dividends declared	18,560	23,200
Retained Earnings at end of year	<u>\$1,258,958</u>	<u>\$1,094,995</u>

THE CRAIG BIT COMPANY LIMITED

Statement of Source and Use of Funds

	For the Fiscal Year ended	
	Sept. 25	Sept. 30
	1970	1969
SOURCE OF FUNDS:		
Net profit for the year	\$ 182,523	\$136,164
Depreciation	76,617	62,974
Deferred income taxes	6,000	(7,000)
	<hr/>	<hr/>
Funds from operations	265,140	192,138
Reclassification of marketable securities	-	3,427
	<hr/>	<hr/>
	265,140	195,565
USE OF FUNDS:		
Increase in fixed assets (net)	168,380	170,203
Dividends declared	18,560	23,200
	<hr/>	<hr/>
	186,940	193,403
	<hr/>	<hr/>
Increase in working capital	78,200	2,162
Working capital at beginning of year	927,724	925,562
	<hr/>	<hr/>
Working capital at end of year	\$1,005,924	\$927,724
	<hr/>	<hr/>

